

Fixed-Income & FX Strategy

W e e k l y

February 9, 2024

Fixed-Income and FX Weekly

- **Attention to the US CPI report.** In line with our expectations, sovereign bonds faced increased pressure this week as they captured a less dovish tone from Fed members and solid economic data recently published for the US. However, local rates showed a mixed balance, positively driven by [Banxico's dovish stance](#), which stated in its communiqué that "...in the next monetary policy meetings, it will assess, depending on available information, the possibility of adjusting the reference rate...". This resulted in investors consolidating their expectation of a 25bps cut for the March meeting, aligning with our view. In this context, US CPI and Fed speakers will be the main market drivers next week, with the latter likely echoing Powell's guidance that excludes a cut in March. The market still assigns some probability for that scenario (20%), although this is likely more related to concerns on the US regional banking sector and commercial real estate. Locally, we acknowledge upside risks to rates given their correlation with Treasuries and narrow spreads. In particular, Mbono-UST spreads trade below their 12-month average for all maturities, such as the 5-year zone at 506bps (vs. 12M average of 536bps). Likewise, in relative terms, we see a fair valuation in a short-term view when analyzing yield adjusted by duration along the Mbonos curve. As such, we expect better entries for directional strategies in nominal rates, despite there is still room for the market to fully price in Banxico's 25bps cut in March (market: -22bps), as well as our view of a full-year adjustment of -200bps (market: -179bps). Therefore, we maintain our [recommendation on the 2s10s spread in TIIE-IRS](#), which we expect to benefit from the recent dovish tone of the central bank. Similarly, we maintain a view favoring real rates versus nominal ones on the back of low breakeven levels, especially in the 3-year zone. In the FX market, the MXN has remained notably resilient so far this year, especially considering its performance vis-à-vis other comparable EM currencies. Not only have we observed compression in its realized volatility but also in its implied volatility. 1- and 2-month ATM vols are trading at their lowest since July, while the 3-month reading has dropped to October 2021 lows. We recognize a correction risk as MXN valuation looks potentially expensive and given its high sensitivity to risk appetite. However, we do not perceive complacency, especially considering how notably low the implied volatility trades for the broad FX universe and even more so as MXN carry still stands out versus other pairs. Solid economic activity data in the US further supports the MXN, both structurally and beta-wise. Given this combination, we expect the cross continue trading similarly to the recent sideways period. In this sense, MXN has hovered around the psychological level of 17.00 and the 100-day MA of 17.40 since mid-January. We suggest buying USD on dips for trading purposes, with no room for directional positions given its negative carry
- **Weekly ranges** – We expect that the 10-year Mbono (Nov'34) to trade between 9.10% and 9.35%, and MXN between 16.90 and 17.30 per dollar



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Fixed-Income

- **Negative bias in sovereign bonds** – The Treasuries' curve recorded losses of 14bps on average, with adjustments of up to +17bps in the belly. The 10-year benchmark traded above the 200-day MA (4.10%), closing at 4.18% (+16bps). The Mbonos' curve registered a slight steepening bias due to gains at the short- and mid-end (-9bps) and losses at the log-end (+2bps). The Nov'34 node concluded at 9.20% (-8bps)
- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 5-year Mbono (Mar'29), the 30-year Udibono (Nov'50), and 1-, and 3-year Bondes F
- **Demand** – In the last four weeks, foreigners recorded higher holdings in Cetes by 6.3%, equivalent to 13.2% of the total amount outstanding. However, they reduce their exposure in Mbonos by 1.7%. Moreover, Pension funds' holdings in Udibonos increased 2.8%, equal to 55.5% of the total. Meanwhile, Mutual funds declined marginally their exposure to Bondes F by 0.3%, although they remain as the main holders with 53.7% of the total
- **Technicals** – The 2s30s spread on Mbonos moved to -57bps from -62bps the previous week, while this reading on Treasuries stood at -12bps from -15bps. In addition, the 10-year spread between Mbonos and Treasuries declined to 502bps from 526bps last week, moving below the 12-month average at 517bps

Foreign Exchange

- **Defensive MXN despite Banxico's dovish tone** – The Mexican peso closed at 17.09 per dollar (+0.3%), scoring two positive weeks. The 1-month implied volatility kept its downward trend, reaching a new low since July at 9.0% (-0.8 vegas) from 11.0% by the end of 2023
- **USD reached fresh highs since November** – The DXY and BBDXY rose 0.2%, with the latter printing six consecutive weeks of gains. The performance of G10 currencies was mixed with NZD (+1.4%) and CHF (-0.9%) at the extremes. In EM, Latam currencies were the few in positive domain (COP, MXN, and BRL), excluding CLP that was the weakest (-2.3%)
- **Market positioning in MXN** – As of February 6th, the MXN CFTC position registered a net long of US\$ 2.58 billion from US\$ 2.38 billion last week. Speculators maintain a position in favor of the Mexican peso given the notably defensive performance compared to its emerging peers, although with a volume below what was observed in June 2023 of almost US\$ 2.9 billion, a 40-month high
- **Market positioning in USD** – In line with our expectations, the IMM USD net short position was fully diluted and now is long for the first time since November at US\$ 697 million incorporating the latest Fed's decision and Powell's comments that exclude a cut in March
- **Flows** – Our EPFR aggregate recorded lower negative flows of US\$ 475 million from US\$ 1.3 billion the previous week. Bond market registered inflows of US\$ 908 million from outflows of US\$ 816 million. These dynamics overshadowed the increased in equities' sales to US\$ 1,384 million from US\$ 457 million, on the back of significant adjustments in Asia. In Mexico, a positive flow of US\$ 58 million was recorded due to bond purchases of US\$ 81 million and equities sales of US\$ 23 million
- **Technicals** – The MXN traded between 17.01 and 17.28 per dollar, without crossing the 200-day MA (17.31) and maintaining a trading weekly range of ~25 cents for the second consecutive week. The following relevant technical levels are: 17.00, 16.90, and 16.83 (resistances) and 17.30, 17.38, and 17.50 (supports)

Fixed-Income Dynamics

Fixed-income securities performance

Security	YTM (%)	Weekly change (bps)	Δ last 4 weeks (bps)	YTD (bps)	12m Max (%)	12m Min (%)	12m Average (%)
Overnight TIIE funding rate							
1-day	11.24	-1	2	-21	11.45	10.51	11.22
28-days ¹	11.30	0	-3	-1	11.34	10.56	11.24
91-days ¹	11.41	0	-3	-1	11.45	10.66	11.35
182-days ¹	11.58	0	-3	-1	11.62	10.81	11.51
Cetes							
28-days	11.23	6	3	-2	11.49	10.45	11.14
91-days	11.25	-5	-6	1	11.61	10.75	11.35
182-days	11.27	-4	-7	-6	12.06	10.90	11.49
364-days	11.08	-3	-4	-6	12.13	10.88	11.47
728-days	10.80	-11	12	-11	12.14	10.50	11.15
Mbonos							
Sep'24	11.04	-21	4	6	11.57	10.03	10.99
Dec'24	10.86	5	14	20	11.31	9.57	10.66
Mar'25	10.00	-11	20	11	11.24	9.56	10.34
Mar'26	9.95	-4	42	19	10.92	8.85	9.85
Sep'26	9.74	-11	32	24	10.78	9.22	9.90
Mar'27	9.41	-18	15	3	10.53	8.58	9.50
Jun'27	9.41	-10	21	15	10.49	8.49	9.43
Mar'29	9.20	-11	19	14	10.32	9.07	9.64
May'29	9.13	-7	24	19	10.24	8.43	9.14
May'31	9.16	-3	22	22	10.26	8.45	9.13
May'33	9.18	-8	22	24	10.24	8.52	9.13
Nov'34	9.20	-8	18	25	10.21	8.49	9.11
Nov'36	9.21	-5	21	29	10.20	8.53	9.11
Nov'38	9.33	0	26	29	10.25	8.66	9.23
Nov'42	9.38	1	27	30	10.25	8.71	9.26
Nov'47	9.36	4	29	29	10.17	8.69	9.22
Jul'53	9.38	2	30	31	10.17	8.66	9.23
TIIE-IRS							
3-month (3x1)	11.44	-1	0	-2	11.62	11.26	11.51
6-month (6x1)	11.27	-7	1	-1	11.78	11.23	11.48
9-month (9x1)	11.08	-6	6	-1	11.92	11.02	11.38
1-year (13x1)	10.76	-8	11	-2	11.91	10.65	11.14
2-year (26x1)	9.71	-14	17	1	10.90	9.49	10.06
3-year (39x1)	9.15	-13	22	7	10.31	8.72	9.39
4-year (52x1)	8.85	-11	24	13	10.02	8.30	9.03
5-year (65x1)	8.71	-9	26	15	9.87	8.10	8.84
7-year (91x1)	8.64	-6	27	19	9.78	7.98	8.72
10-year (130x1)	8.68	-4	28	22	9.78	7.97	8.70
20-year (3x1)	8.74	-3	29	24	9.85	8.05	8.78
30-year (390x1)	8.71	-1	27	27	9.84	8.07	8.78
Udibonos							
Dec'25	6.15	3	24	16	6.45	4.46	5.67
Dec'26	5.67	-9	11	5	6.42	4.36	5.44
Nov'28	4.63	0	22	16	5.62	4.02	4.69
Nov'31	4.72	3	27	25	5.39	3.94	4.58
Nov'35	4.46	0	13	9	5.06	3.96	4.45
Nov'40	4.51	-2	25	19	5.04	3.96	4.48
Nov'43	4.52	0	27	19	5.06	4.30	4.60
Nov'46	4.46	3	26	31	5.04	3.91	4.46
Nov'50	4.52	4	27	29	5.03	3.97	4.48

Source: Bloomberg, PiP, Banxico, Banorte

1: Compounded in advance Overnight TIIE Funding rate for "n" days

Fixed-Income Dynamics (continued)

USD UMS and US Treasuries performance

05B UMS and 05 UST Treasuries performance											
UMS					UST				Spreads		CDS
Term	Maturity date	YTM Feb/09/2024	Weekly change (bps)	YTD (bps)	YTM Feb/09/2024	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	4.90	+7	+42	4.48	+12	+6	41	-5	20	27
3Y	Mar'27	4.88	+19	+8	4.28	+13	+5	60	+6	31	44
5Y	May'29	5.26	+14	+47	4.15	+17	+15	111	-3	100	88
7Y	Apr'30	5.39	+12	+5	4.18	+18	+21	121	-6	128	126
10Y	May'33	5.71	+14	+15	4.19	+17	+31	152	-3	166	160
20Y	Mar'44	6.28	+13	-9	4.49	+15	+34	180	-2	194	--
30Y	May'54	6.52	+12	+13	4.38	+16	+42	214	-4	229	--

Source: Bloomberg, Banorte

5Y USD UMS



Source: Bloomberg, Banorte

10Y USD UMS



Source: Bloomberg, Banorte

5Y UMS-UST Spread



Source: Bloomberg, Banorte

10Y UMS-UST Spread



Source: Bloomberg, Banorte

Fixed-Income Supply

- **Mexico's weekly auction.** On Tuesday, the MoF will auction 1-, 3-, 6-, and 24M Cetes, the 5-year Mbono (Mar'29), the 30-year Udibono (Nov'50), and 1-, and 3-year Bondes F
- **Strong appetite for Cetes ahead of Banxico's first cut.** In the latest sessions, the market moderated its pricing for a cut from Banxico in March amid a less dovish Fed. However, local rates rallied in the aftermath of Banxico's first decision this year, also resulting in a higher implied cut for the following meeting. In this context, [we reiterate our view of a cut in March to 11.00% \(-25bps\), with the reference rate ending the year at 9.25% \(-200bps\)](#). Under this situation, Cetes' high yields continue to look attractive, with the 1-, 3-, 6-, 12-, and 24-month maturities trading at 11.23%, 11.25%, 11.27%, 11.08%, and 10.80%, respectively. In this sense, we expect demand to remain robust. From mid-January until Banxico's decision, Mbonos experience a 30bps sell-off, resulting in attractive levels for long-term portfolios; however, we acknowledge additional pressure risks due to their high correlation to USTs and narrow spreads across all maturities. Consequently, we anticipate moderate appetite for the 5-year Mbono, in a similar fashion to its last two issuances printing at 2.25x and 2.38x. For the 30-year Udibono, we anticipate demand under 2.0x considering a less attractive valuation compared to short-term Udibonos. In this regard, the 30-year inflation breakeven stands at 4.65% (+17bps vs. 12M average), while the 3-year reading is at 3.85% (-46bps)

Auction specifics (February 13th, 2024)

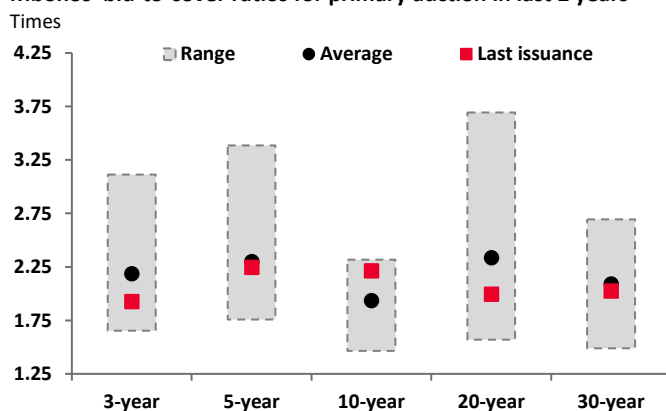
Security	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	Mar-14-24	--	10,000	11.06
3m	May-16-24	--	10,000	11.28
6m	Aug-08-24	--	11,100	11.32
24m	Dec-24-25	--	18,200	10.88
Bondes F				
1Y	Jan-16-25	--	8,000	0.11
3Y	Jan-14-27	--	3,500	0.19
Bono M				
5Y	Mar-01-29	8.50	13,500	9.05
Udibono				
30Y	Nov-03-50	4.00	UDIS 1,150	4.28

Source: Banxico, Banorte

1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.

2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

Mbonos' bid-to-cover ratios for primary auction in last 2 years



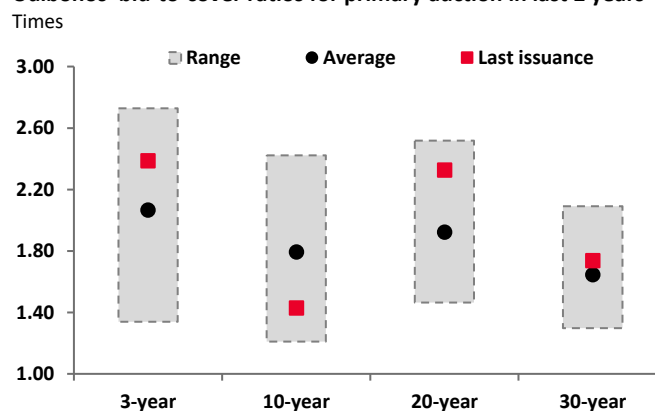
Source: Bloomberg, Banorte

1Q24 Government Securities Auction Calendar*

Date	Cetes	Bonos M	Udibonos	Bondes F
2-Jan	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, 3, and 7Y
9-Jan	1, 3, 6, and 12M	30Y (Jul'53)	10Y (Nov'31)	2, 5, and 10Y
16-Jan	1, 3, 6, and 24M	5Y (Mar'29)	30Y (Nov'50)	1, and 3Y
23-Jan	1, 3, 6, and 12M	10Y (Nov'34)	3Y (Dec'26)	2, and 5Y
30-Jan	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, 3, and 7Y
6-Feb	1, 3, 6, and 12M	20Y (Nov'42)	10Y (Nov'31)	2, 5, and 10Y
13-Feb	1, 3, 6, and 24M	5Y (Mar'29)	30Y (Nov'50)	1, and 3Y
20-Feb	1, 3, 6, and 12M	30Y (Jul'53)	3Y (Dec'26)	2, and 5Y
27-Feb	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, 3, and 7Y
5-Mar	1, 3, 6, and 12M	10Y (Nov'34)	10Y (Nov'31)	2, 5, and 10Y
12-Mar	1, 3, 6, and 24M	5Y (Mar'29)	30Y (Nov'50)	1, and 3Y
19-Mar	1, 3, 6, and 12M	20Y (Nov'42)	3Y (Dec'26)	2, and 5Y
25-Mar	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, 3, and 7Y

Source: SHCP *Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

Udibonos' bid-to-cover ratios for primary auction in last 2 years



Source: Bloomberg, Banorte

Fixed-Income Demand

Government and IPAB securities holdings by type of investor

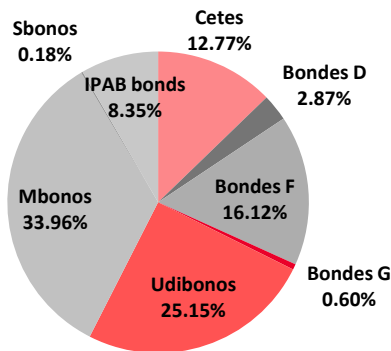
US\$ billion, *UDIS million, data as of Jan/26/2024

Securities	Total amount outstanding	Foreign investors	Pension funds	Mutual funds	Insurance companies	Local banks	Repos with Banxico	Guarantees received by Banxico	Securities held by Banxico	Other domestic residents
Cetes	93.45	12.37	14.18	12.49	4.54	8.80	3.85	3.52	-	33.71
Bon-des D	21.01	0.87	0.97	7.73	0.24	4.17	1.69	0.15	-	5.18
Bon-des F	117.97	0.01	5.26	63.31	2.09	12.77	3.56	0.20	-	30.76
Bon-des G	4.37	-	0.05	2.69	0.34	0.01	0.77	-	-	0.52
Udibonos	184.06	8.89	102.09	7.54	34.87	2.29	1.37	0.13	-	26.90
Mbonos	248.60	80.24	60.66	6.29	7.07	32.04	16.86	1.32	0.87	43.24
Sbonos	1.34	0.60	0.40	0.01	0.03	0.04	-	0.01	-	0.25
Total	670.80	102.98	183.61	100.06	49.18	60.12	28.10	5.33	0.87	140.55
Udibonos*	392,490.40	18,951.31	217,685.06	16,081.79	74,347.66	4,878.15	2,912.35	267.55	-	57,366.54
IPAB bonds	61.15	0.04	1.32	19.01	0.23	7.91	7.43	2.49	-	22.73

Source: Banxico, Banorte

Government issuance by type of instrument

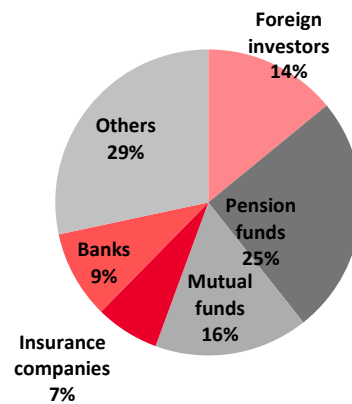
Total amount of US\$ 732 billion (including IPAB bonds), % of total



Source: Banxico, Banorte

Mbonos holdings by type of investor

Total amount of US\$ 732 billion (including IPAB bonds), % of total

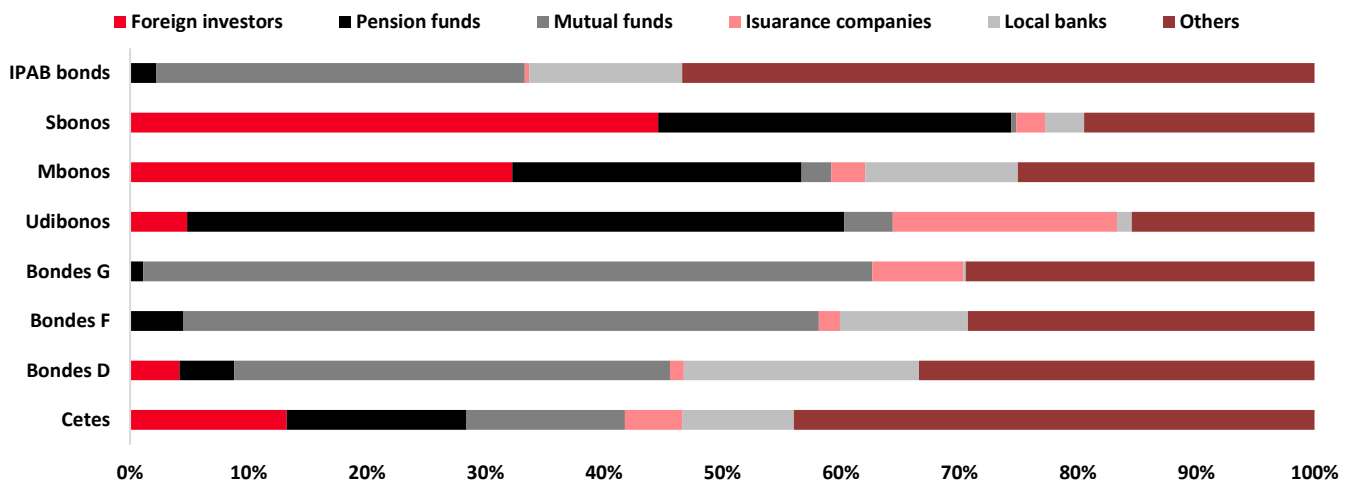


Source: Banxico, Banorte

Note: "Others" includes repos, guarantee and securities held by Banxico, as well as other domestic residents

Government securities holdings by type of investor

Total amount of US\$ 732 billion (including IPAB bonds), % of total



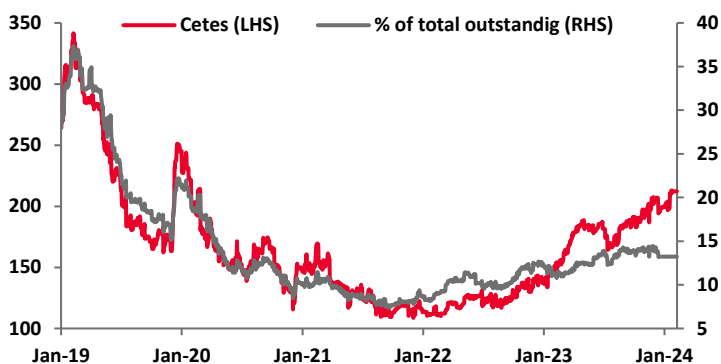
Source: Banxico, Banorte

Note: "Others" includes repos, guarantee and securities held by Banxico, as well as other domestic residents

Fixed-Income Demand (continued)

Cetes held by foreigners

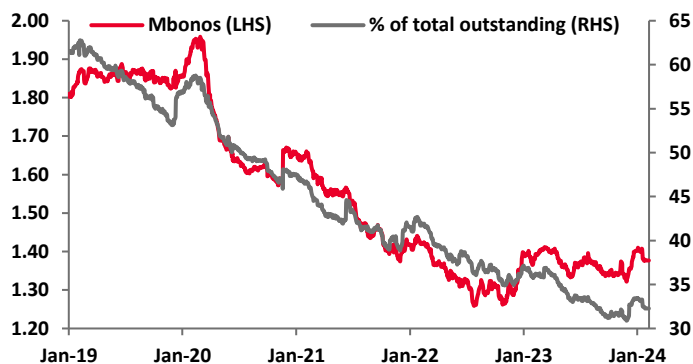
MXN billion, %



Source: Banxico, Banorte

Mbonos held by foreigners

MXN trillion, %



Source: Banxico, Banorte

Holdings of main investors by type of security

Data as of Jan/26/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	6.30	6.30	9.40	9.40	1.88	1.88
Bondef F	72.89	72.89	-26.57	-26.57	-0.30	-0.30
Udibonos	1.59	1.59	2.81	2.81	4.45	4.45
Mbonos	-1.74	-1.74	3.19	3.19	-4.02	-4.02

Source: Banxico, Banorte

Mbonos holdings by type of investor

US\$ billions and %, data as Jan/25/2024

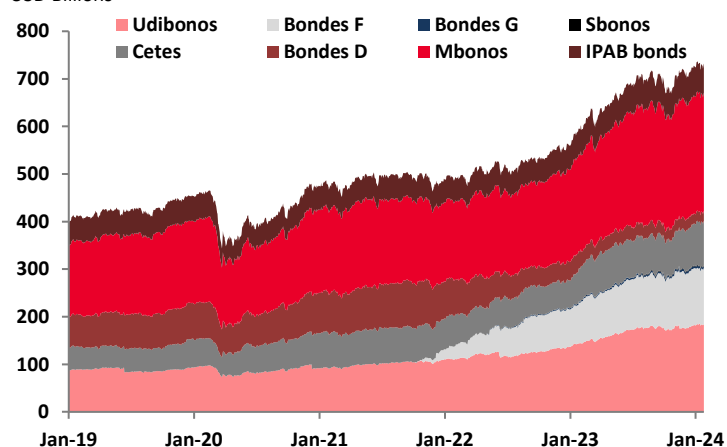
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	15.9	23%	13%	11%	53%
Dec'24	13.1	22%	19%	10%	49%
Mar'25	7.9	32%	17%	20%	31%
Mar'26	26.2	27%	27%	13%	33%
Sep'26	8.9	40%	22%	9%	29%
Mar'27	21.2	17%	20%	12%	51%
Jun'27	20.5	5%	33%	29%	33%
Mar'29	5.5	22%	33%	20%	24%
May'29	15.7	4%	51%	22%	22%
May'31	24.7	4%	46%	34%	17%
May'33	15.9	7%	41%	30%	22%
Nov'34	7.0	2%	44%	40%	13%
Nov'36	4.3	1%	25%	45%	29%
Nov'38	12.5	1%	41%	42%	15%
Nov'42	18.8	0%	40%	45%	14%
Nov'47	15.2	0%	37%	45%	18%
Jul'53	12.5	2%	34%	44%	20%
Total	233.3	12%	33%	27%	29%

Source: Banxico, Banorte

Notas: "Institutional investors" include pension funds, mutual funds, and insurance companies. "Others" includes repos, guarantee and securities held by Banxico, as well as other domestic residents

Government securities issuance

USD Billions

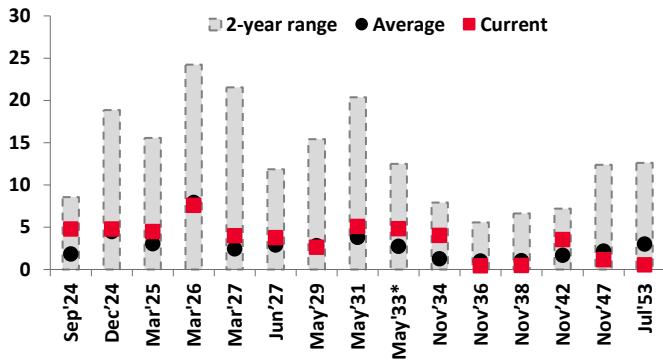


Fuente: Banxico, Banorte

Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

MXN billion



Source: Banxico, Banorte *May'33 issued in December 2022

Weekly change in market makers' short positions on Mbonos

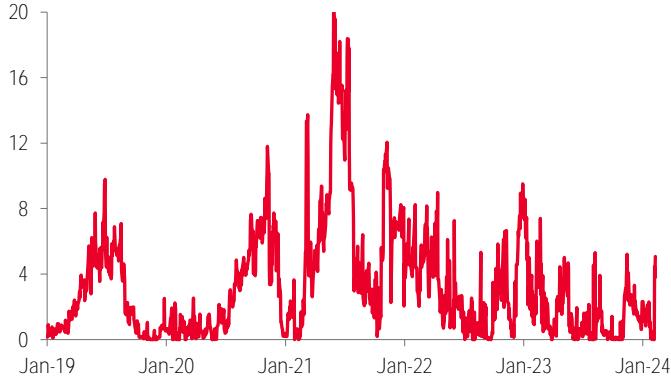
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

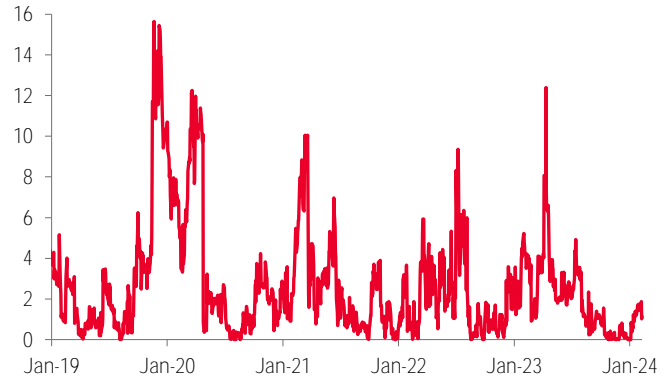
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono Nov'47

MXN billion



Source: Banxico, Banorte

Market makers' position on Mbonos

US\$ million

Maturity date	Total amount outstanding as of Feb/08/2024	Feb/08/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	15,753	278	183	147	90	278	0
Dec'24	12,009	279	118	63	153	347	41
Mar'25	8,793	262	344	293	169	685	110
Mar'26	26,091	441	365	610	317	1,278	211
Sep'26	10,023	386	411	361	0	501	1
Mar'27	21,397	232	183	132	99	699	8
Jun'27	20,740	218	0	16	103	322	0
Mar'29	6,546	157	95	15	0	420	0
May'29	17,389	152	330	475	207	899	140
May'31	24,423	296	23	49	257	304	0
May'33	16,793	280	298	330	116	728	1
Nov'34	7,100	233	278	320	105	461	0
Nov'36	4,358	26	22	50	96	82	0
Nov'38	12,664	28	66	131	0	299	0
Nov'42	19,480	205	24	42	0	220	0
Nov'47	15,241	67	91	27	234	136	0
Jul'53	12,546	31	99	193	0	625	2
Total	251,346	3,541	2,830	3,059	1,947		

Source: Banxico, Banorte

Fixed-Income Technicals

Spread between Cetes and Implied Forward Rates

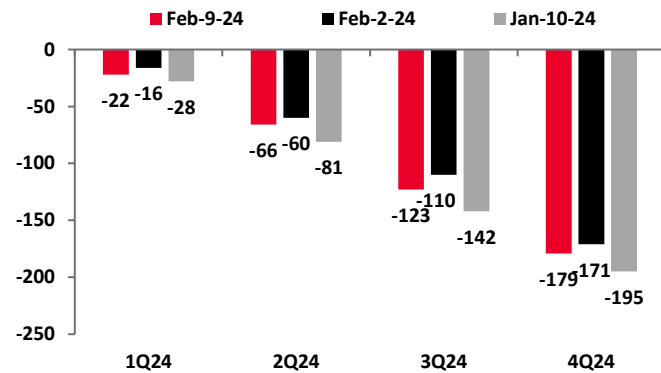
Basis points

Tenor	Actual Feb/09/2024	Weekly change	Δ last 4 weeks	6m average	6m Max	6m Min
1 month	86	73	65	71	243	-35
3 months	26	21	27	16	118	-54
6 months	22	8	21	-2	54	-70
12 months	16	3	29	-10	34	-92

Source: PIP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

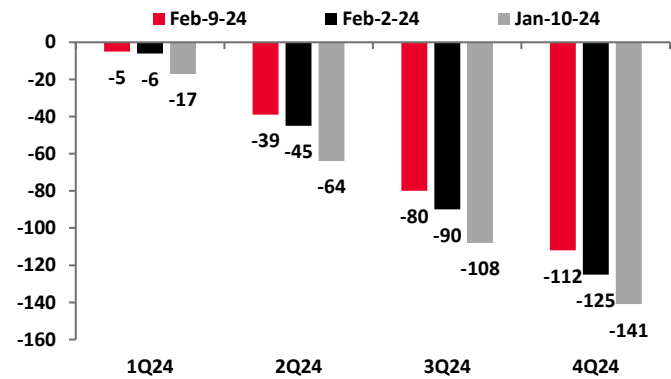
Basis points



Source: Bloomberg, Banorte

Cumulative implied moves in Fed funds

Basis points



Source: Bloomberg, Banorte

Spreads between Mbonos and UST

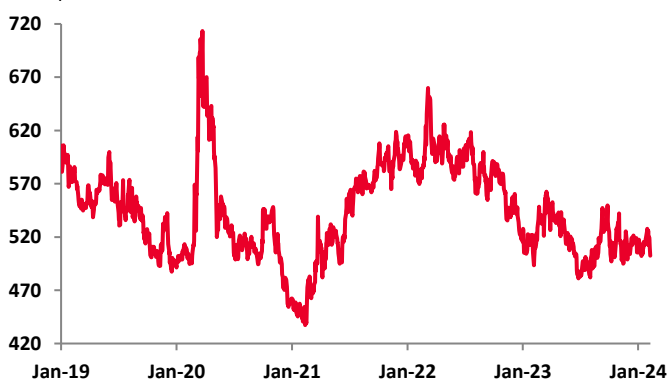
Basis points

Spread	Actual	Weekly change	Δ last 4 weeks	YTD	12m Max	12m Min	12m Average
2 year	546	-16	8	-4	672	497	569
5 year	506	-27	-11	-16	597	489	536
10 year	502	-24	0	-3	563	481	517
20 year	490	-14	8	1	548	464	499
30 year	501	-14	10	-3	562	477	514

Source: Bloomberg, PIP, Banorte

10-year Mbono and 10-year UST spread

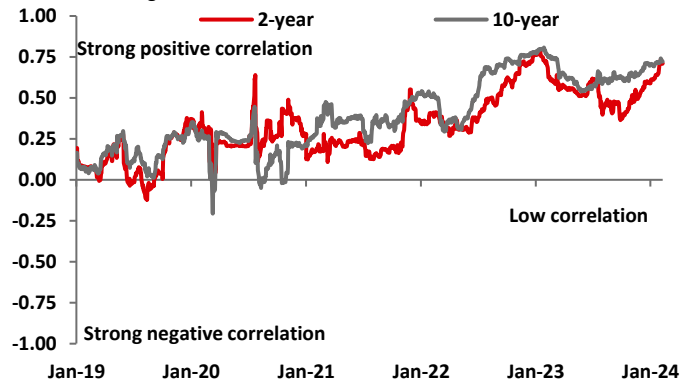
Basis points



Source: PIP, Banorte

Mexico and US 2- and 10-year bonds correlation

3-month moving correlation



Source: Bloomberg, Banorte

Fixed-Income Technicals (continued)

Selected spreads

Basis points

Security	Spread	Weekly change	Δ last 4 weeks	YTD	12m Max	12m Min	12m Average
Mbonos							
2/5	-75	-7	-23	-5	-31	-134	-87
2/10	-75	-4	-18	7	-40	-197	-116
2/30	-57	5	-13	12	-25	-192	-106
5/10	0	3	4	13	8	-78	-29
10/30	18	10	6	5	35	-15	10
TIIE IRS							
3m/2Y	-173	-13	16	3	-56	-203	-145
2/5	-100	5	10	14	-90	-162	-122
2/10	-104	10	11	21	-97	-198	-136
2/30	-100	13	11	26	-88	-178	-128
5/10	-4	5	1	7	-1	-46	-14
10/30	4	3	0	5	23	-4	8
TIIE IRS – Mbonos							
2 year	-23	-10	-25	-18	25	-57	-23
5 year	-49	2	7	2	-32	-100	-61
10 year	-52	4	4	-4	-17	-68	-48
20 year	-64	-3	2	-6	-8	-75	-53
30 year	-67	-2	-2	-4	-4	-78	-50
TIIE IRS – SOFR							
2 year	537	-25	-20	-27	637	485	554
5 year	483	-24	-7	-20	546	432	498
10 year	486	-19	1	-12	545	442	500
20 year	492	-17	8	-9	571	467	512
30 year	506	-14	8	-7	599	487	531

Source: Bloomberg, PIP, Banorte

Breakeven inflation using Mbonos & Udibonos

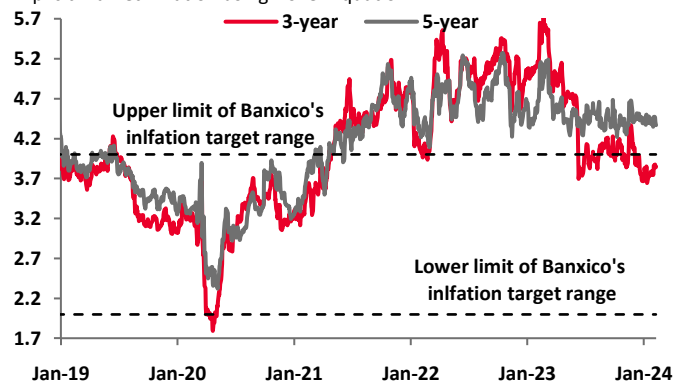
Implicit market inflation using Fisher Equation (%)

Date	Feb/09/2024	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.85	3.86 (-1bp)	3.64 (+21bps)	5.65 (-180bps)	5.74	3.64	4.31
5Y	4.37	4.47 (-10bps)	4.4 (-3bps)	5.11 (-74bps)	5.19	4.22	4.51
10Y	4.26	4.37 (-11bps)	4.33 (-7bps)	4.54 (-28bps)	4.85	4.04	4.35
20Y	4.65	4.65 (0bps)	4.66 (-1bp)	4.7 (-5bps)	5.08	4.15	4.57
30Y	4.65	4.69 (-4bps)	4.65 (0bps)	4.72 (-7bps)	5.01	4.15	4.57

Source: PIP, Banorte

3- and 5-year breakeven inflation using Mbonos & Udibonos

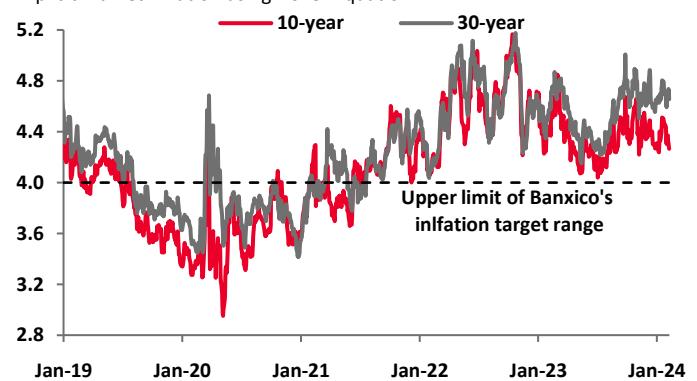
Implicit market inflation using Fisher Equation



Source: PIP, Banorte

10- and 30-year breakeven inflation using Mbonos & Udibonos

Implicit market inflation using Fisher Equation



Source: PIP, Banorte

FX dynamics

Foreign Exchange market levels and historical return

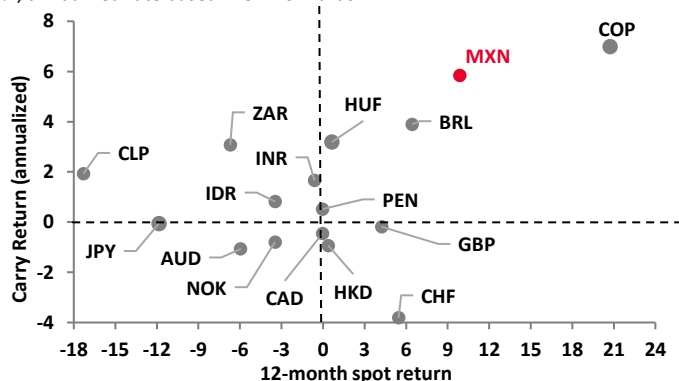
		Close at Feb/09/2024	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.95	0.9	0.3	-1.2	-2.0
Chile	USD/CLP	970.27	-0.5	-2.3	-5.6	-9.4
Colombia	USD/COP	3,922.34	0.7	0.3	0.5	-1.7
Peru	USD/PEN	3.86	-0.1	-0.8	-4.3	-4.1
Hungary	USD/HUF	358.85	0.5	-0.8	-4.0	-3.2
Malaysia	USD/MYR	4.77	0.2	-1.0	-2.6	-3.6
Mexico	USD/MXN	17.09	0.3	0.3	-0.7	-0.7
Poland	USD/PLN	4.01	0.0	-0.3	-1.5	-1.9
Russia	USD/RUB	91.15	0.0	-0.4	-1.7	-1.8
South Africa	USD/ZAR	19.02	-0.3	-0.7	-1.7	-3.5
Developed Markets						
Canada	USD/CAD	1.35	0.0	0.0	-0.6	-1.6
Great Britain	GBP/USD	1.26	0.1	0.0	-0.9	-0.8
Japan	USD/JPY	149.29	0.0	-0.6	-2.4	-5.5
Eurozone	EUR/USD	1.0784	0.1	0.0	-1.7	-2.3
Norway	USD/NOK	10.54	0.7	0.6	-1.9	-3.5
Denmark	USD/DKK	6.91	0.0	-0.1	-1.7	-2.3
Switzerland	USD/CHF	0.87	-0.1	-0.9	-2.7	-3.8
New Zealand	NZD/USD	0.62	0.9	1.4	-1.2	-2.7
Sweden	USD/SEK	10.46	0.2	0.4	-2.2	-3.7
Australia	AUD/USD	0.65	0.5	0.2	-2.6	-4.2

Source: Bloomberg, Banorte

1. Positive (negative) changes mean appreciation (depreciation) of the corresponding currency against the USD.

Performance of selected currencies

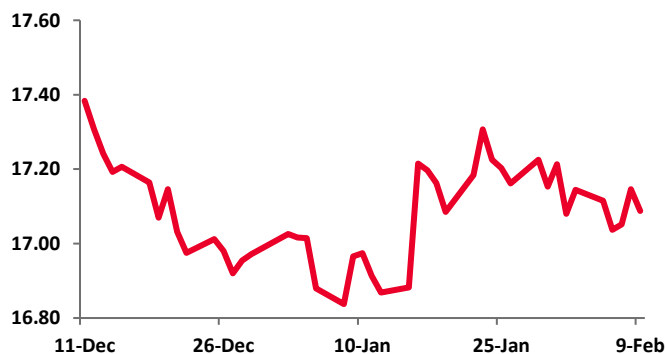
%, annualized rate based in 3M forwards



Source: Bloomberg, Banorte

USD/MXN

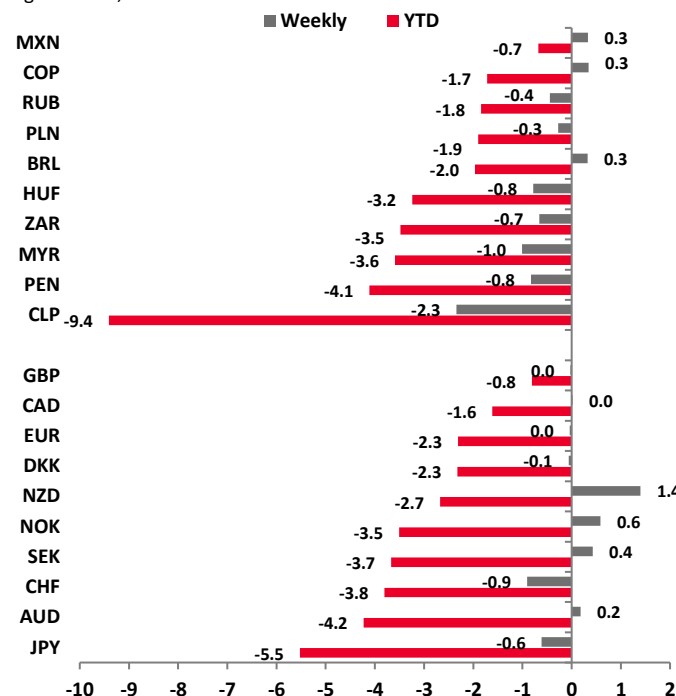
Last 60 days



Source: Bloomberg, Banorte

FX performance

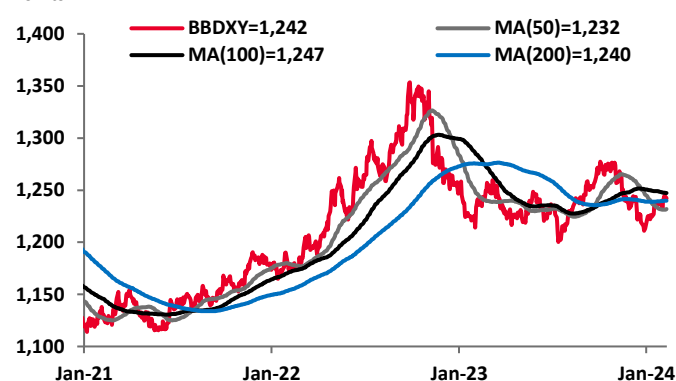
Against USD, %



Source: Bloomberg, Banorte

BBDXY

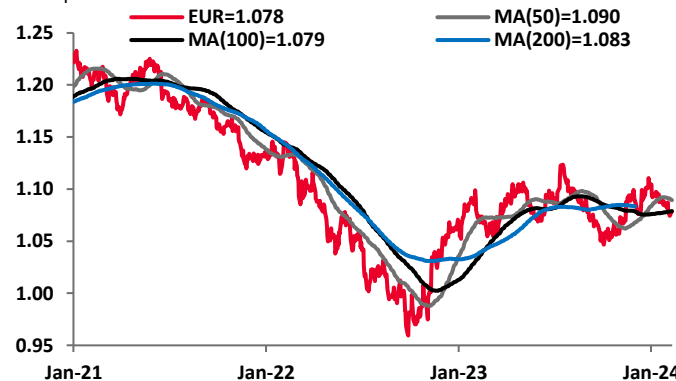
Points



Source: Bloomberg, Banorte

Euro

Dólar per euro

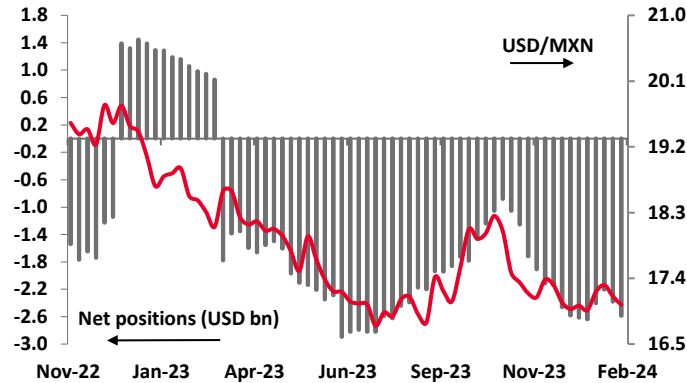


Source: Bloomberg, Banorte

FX positioning and flows

IMM positioning in USD/MXN futures

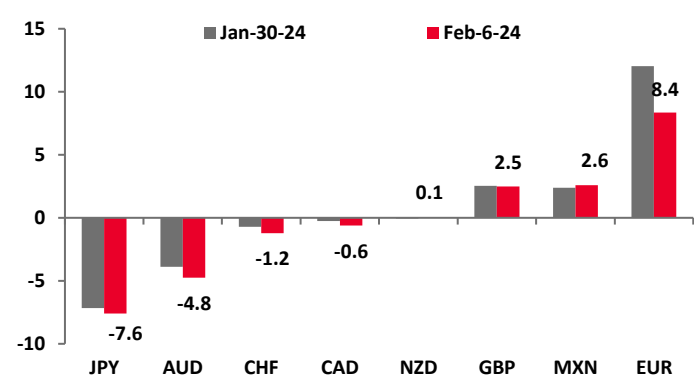
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

IMM positioning by currency*

Billion dollars

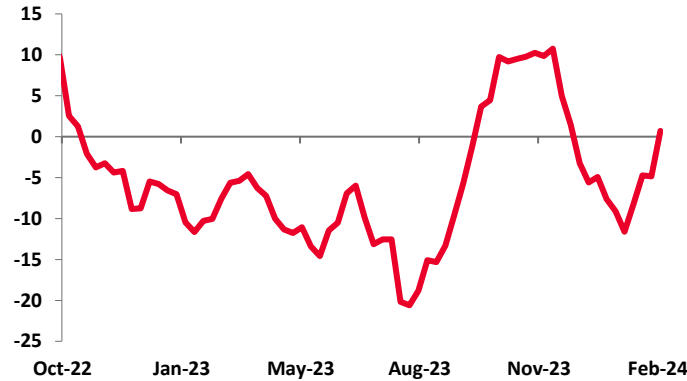


* Positive: Net long in the corresponding currency

Source: CME, Banorte

IMM positioning in USD futures*

Billion dollars, Positive = net long in USD

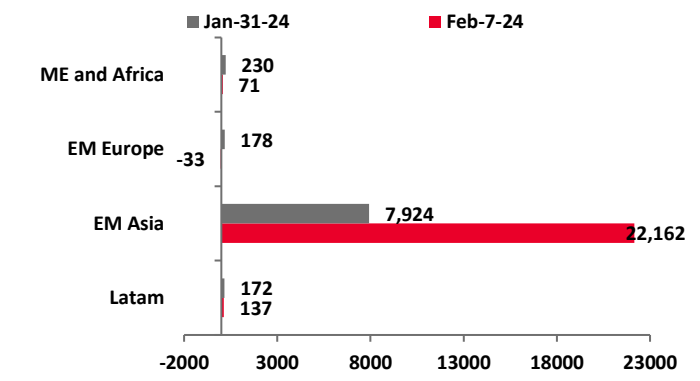


* Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF

Source: CME, Banorte

Net foreign portfolio flows by region (Only ETF's investments)

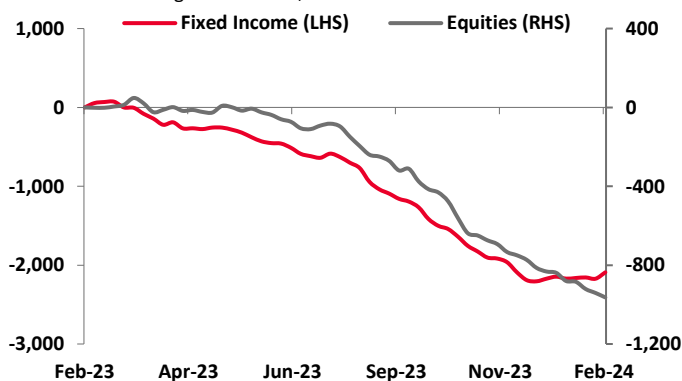
Billion dollars



Source: EPFR Global, Banorte

Foreign portfolio flows into Mexico (excluding ETF's investments)

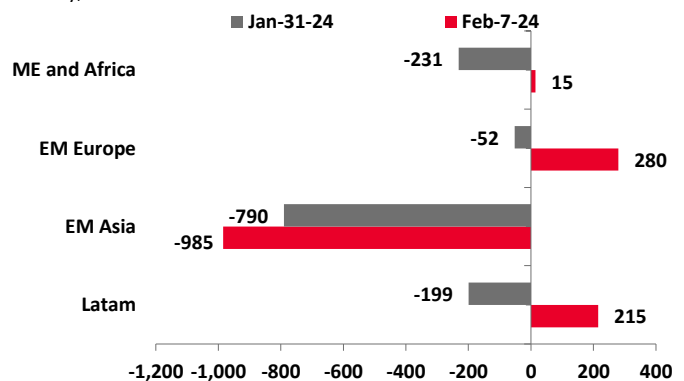
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

Net foreign portfolio flows by region (excluding ETF's investments)

Weekly, million dollars

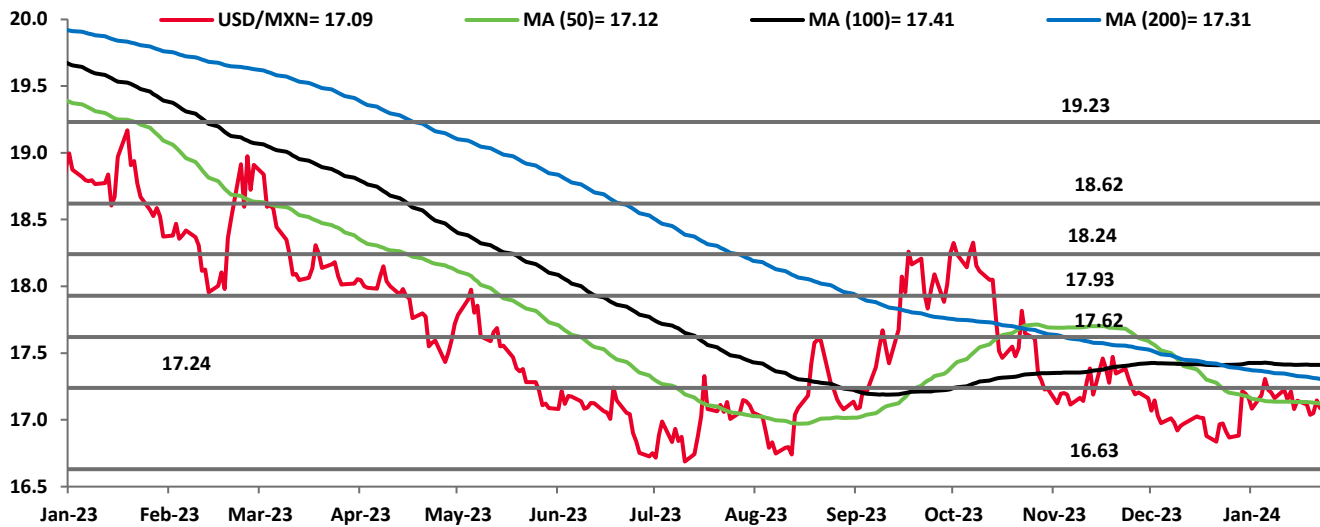


Source: EPFR Global, Banorte

FX technicals

USD/MXN – Moving averages and Fibonacci retracement

Last 12 months



Source: Bloomberg, Banorte

USD/MXN – 1-month correlation with other currencies and assets

Based on daily percentages changes

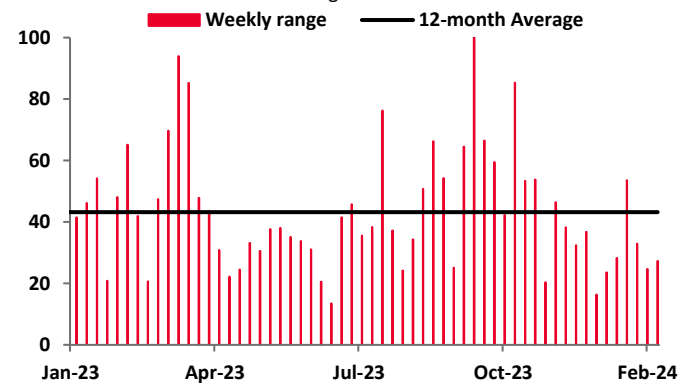
	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	64	64	24	65	47
CAD	45	42	12	64	39
ZAR	52	48	2	87	56
BRL	70	69	47	82	69
HUF	53	53	40	70	58
RUB	4	8	-23	53	8
VIX	32	34	14	74	44
SPX	28	30	18	68	43
GSCI	3	7	-27	22	1
Oro	34	40	-28	53	27

* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

USD/MXN – Weekly trading range

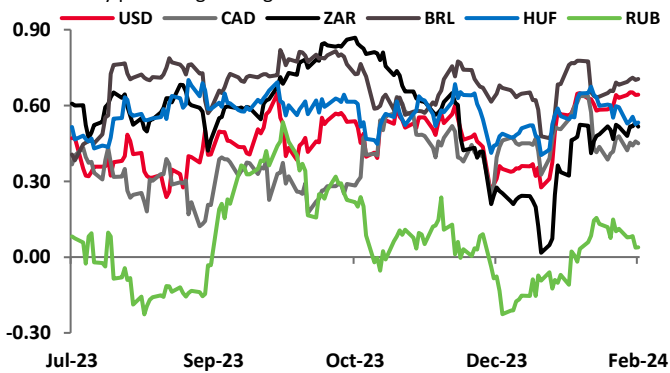
MXN cents with last 12 month average



Source: Bloomberg, Banorte

USD/MXN – 1-month correlation with other currencies*

Based on daily percentage changes

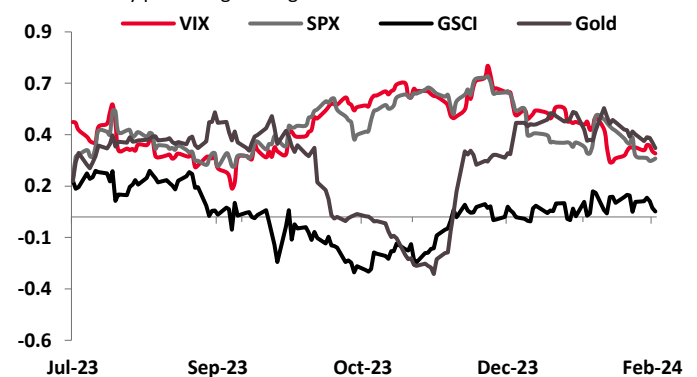


* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

USD/MXN – 1-month correlation with other assets*

Based on daily percentage changes

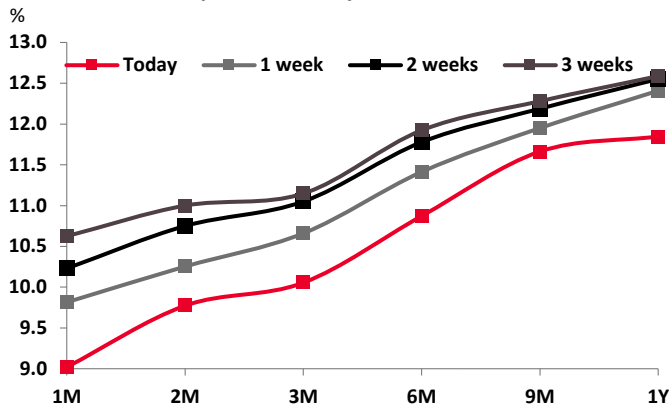


* Positive: appreciation of MXN and corresponding asset except VIX

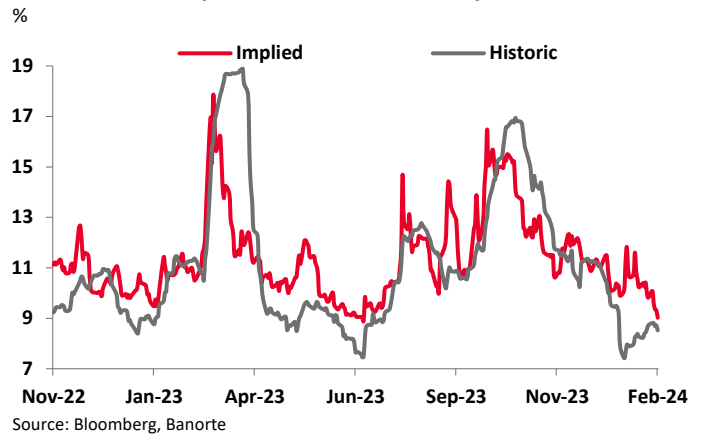
Source: Bloomberg, Banorte

FX technicals (continued)

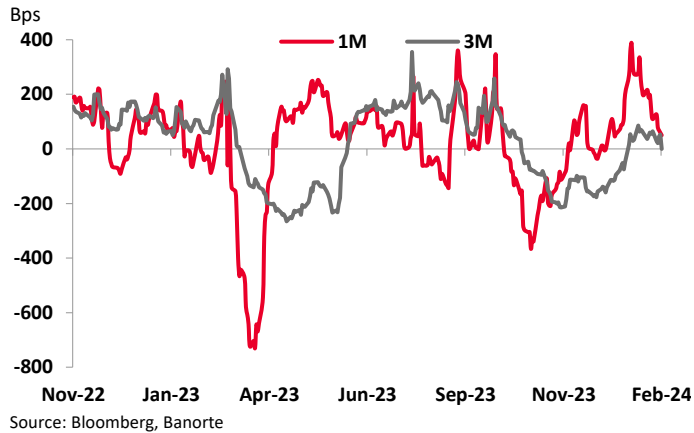
USD/MXN – ATM options volatility curve



USD/MXN – 1M implied and historical volatility

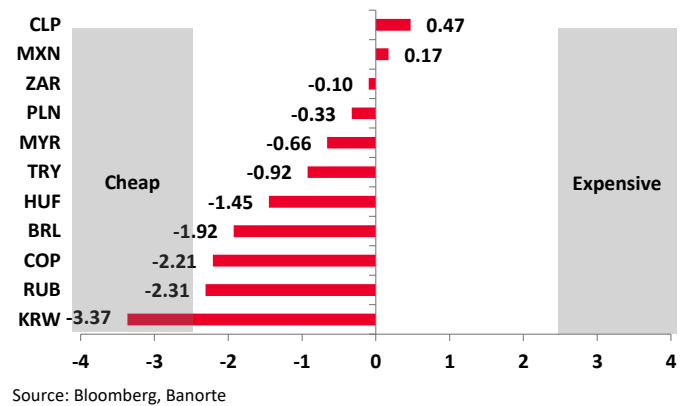


USD/MXN – Spread between implicit and historical volatility



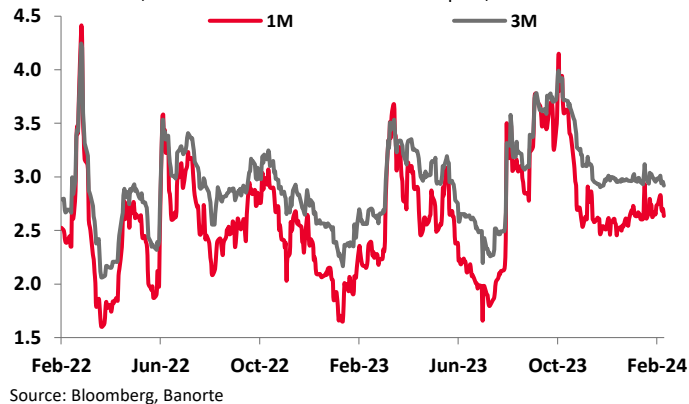
Emerging markets one-month ATM options volatility

Against USD, in standard deviations relative to last year's average



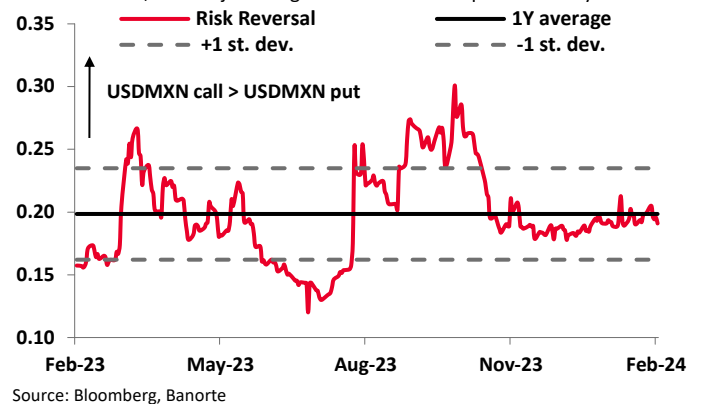
USD/MXN – 1-month and 3-month 25D risk reversals

Last 24 months, difference between USD calls and puts, in vols



USD/MXN – 1-month 25D volatility-adjusted risk reversal

Last 12 months, ratio adjusted against one-month implied volatility



Weekly economic calendar

For the week ending February 16th, 2024

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 12	09:20	US	Fed's Bowman Speaks at Community Bank Conference					
	12:00	US	Fed's Barkin Speaks at Atlanta Economics Club Event					
	13:00	US	Fed's Kashkari Moderates Economic Club of Minnesota Discussion					
		MX	ANTAD same-store sales	Jan	% y/y	--	--	5.2
Tue 13	02:00	UK	Unemployment rate*	Dec	%	--	4.0	--
	05:00	GER	ZEW Survey (Expectations)	Feb	index	--	17.5	15.2
	08:30	US	Consumer prices mom*	Jan	% m/m	0.2	0.2	0.2
	08:30	US	Ex. food & energy*	Jan	% m/m	0.3	0.3	0.3
	08:30	US	Consumer prices	Jan	% y/y	2.9	2.9	3.4
	08:30	US	Ex. food & energy	Jan	% y/y	3.8	3.7	3.9
	10:00	MX	International reserves	Feb 9	US\$bn	--	--	213.5
	12:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes, 5-year Mbono (Mar'29), 30-year Udibono (Nov'50) and 1-, and 3-year Bondes F					
Wed 14	02:00	UK	Consumer prices	Jan	% y/y	--	4.1	4.0
	02:00	UK	Core	Jan	% y/y	--	5.2	5.1
	05:00	EZ	Gross domestic product	4Q23 (P)	% y/y	--	0.1	0.1
	05:00	EZ	Gross domestic product*	4Q23 (P)	q/q	--	0.0	0.0
	05:00	EZ	Industrial Production*	Dec	% m/m	--	-0.2	-0.3
	09:30	US	Fed's Goolsbee Speaks in Q&A					
	16:00	US	Fed's Barr Speaks at NABE Conference					
	18:50	JN	Gross domestic product*	4Q23 (P)	q/q	--	0.3	-0.7
Thu 15	02:00	UK	Industrial production*	Dec	% m/m	--	-0.1	0.3
	02:00	UK	Gross domestic product*	4Q23 (P)	q/q	--	-0.1	-0.1
	05:00	EZ	Trade balance*	Dec	EURbn	--	--	14.8
	08:30	US	Empire manufacturing*	Feb	index	-15.0	-11.8	-43.7
	08:30	US	Advance retail sales*	Jan	% m/m	-0.2	-0.1	0.6
	08:30	US	Ex autos & gas*	Jan	% m/m	--	0.3	0.6
	08:30	US	Control group*	Jan	% m/m	0.3	0.2	0.8
	08:30	US	Philadelphia Fed*	Feb	index	-8.0	-8.6	-10.6
	08:30	US	Initial jobless claims*	Feb 10	thousands	215	220	218
	09:15	US	Industrial production*	Jan	% m/m	0.4	0.3	0.1
	09:15	US	Manufacturing production*	Jan	% m/m	0.1	0.0	0.1
	13:15	US	Fed's Waller Gives Remarks on Dollar's International Role					
	19:00	US	Fed's Bostic Speaks on Outlook, Policy					
Fri 16	08:30	US	Housing starts**	Jan	thousands	--	1,460	1,460
	08:30	US	Building permits**	Jan	thousands	--	1,515	1,493
	08:30	US	Producer prices*	Jan	% m/m	--	0.1	-0.1
	08:30	US	Ex. food & energy*	Jan	% m/m	--	0.1	0.0
	09:10	US	Fed's Barr Speaks on Bank Supervision					
	10:00	US	U. of Michigan confidence*	Feb (P)	index	81.0	80.0	79.0
	12:10	US	Fed's Daly Speaks at NABE Conference					

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate

Recent trade ideas				
Trade idea	P/L	Initial date	End date	
Pay 1-year TIIE-IRS (13x1)	P	Jan-12-24	Jan-19-24	
2y10y TIIE-IRS steepener		Oct-13-23		
Long positions in Mbono Dec'24	P	Jun-16-23	Jun-22-23	
Pay TIIE-IRS (26x1), receive 2-year SOFR	L	Aug-18-22	Oct-28-22	
Pay 2-year TIIE-IRS (26x1)	P	Feb-4-22	Mar-4-22	
Tactical longs in Mbono Mar'26	P	May-14-21	Jun-7-21	
Receive 6-month TIIE-IRS (6x1)	P	Dec-17-20	Mar-3-21	
Long positions in Udibono Nov'23	L	Feb-11-21	Feb-26-21	
Long positions in Mbono May'29 & Nov'38	P	Sep-7-20	Sep-18-20	
Long positions in Udibono Dec'25	P	Jul-23-20	Aug-10-20	
Long positions in Udibono Nov'35	P	May-22-20	Jun-12-20	
Long positions in Mbono May'29	P	May-5-20	May-22-20	
Tactical longs in 1- & 2-year TIIE-28 IRS	P	Mar-20-20	Apr-24-20	
Long positions in Udibono Nov'28	P	Jan-31-20	Feb-12-20	
Long positions in Udibono Jun'22	P	Jan-9-20	Jan-22-20	
Long positions in Mbono Nov'47	L	Oct-25-19	Nov-20-19	
Long positions in Mbonos Nov'36 & Nov'42	P	Aug-16-19	Sep-24-19	
Long positions in the short-end of Mbonos curve	P	Jul-19-19	Aug-2-19	
Long positions in Mbonos Nov'42	L	Jul-5-19	Jul-12-19	
Long positions in Mbonos Nov'36 & Nov'38	P	Jun-10-19	Jun-14-19	
Long positions in Mbonos Jun'22 & Dec'23	P	Jan-9-19	Feb-12-19	
Long floating-rate Bondes D	P	Oct-31-18	Jan-3-19	
Long CPI-linkded Udibono Jun'22	L	Aug-7-18	Oct-31-18	
Long floating-rate Bondes D	P	Apr-30-18	Aug-3-18	
Long 20- to 30-year Mbonos	P	Jun-25-18	Jul-9-18	
Short Mbonos	P	Jun-11-18	Jun-25-18	
Long CPI-linkded Udibono Jun'19	P	May-7-18	May-14-18	
Long 7- to 10-year Mbonos	L	Mar-26-18	Apr-23-18	
Long CPI-linkded Udibono Jun'19	P	Mar-20-18	Mar-26-18	
Long 5- to 10-year Mbonos	P	Mar-5-18	Mar-20-18	
Long floating-rate Bondes D	P	Jan-15-18	Mar-12-18	
Long 10-year UMS Nov'28 (USD)	L	Jan-15-18	Feb-2-18	

P = Profit, L = Loss

Short-term tactical trades					
Trade Idea	P/L*	Entry	Exit	Initial Date	End date
Long USD/MXN	P	19.30	19.50	Oct-11-19	Nov-20-19
Long USD/MXN	P	18.89	19.35	Mar-20-19	Mar-27-19
Long USD/MXN	P	18.99	19.28	Jan-15-19	Feb-11-19
Long USD/MXN	P	18.70	19.63	Oct-16-18	Jan-3-19
Short USD/MXN	P	20.00	18.85	Jul-2-18	Jul-24-18
Long USD/MXN	P	19.55	19.95	May-28-18	Jun-4-18
Long USD/MXN	P	18.70	19.40	Apr-23-18	May-14-18
Long USD/MXN	P	18.56	19.20	Nov-27-17	Dec-13-17
Long USD/MXN	L	19.20	18.91	Nov-6-17	Nov-17-17
Long USD/MXN	P	18.58	19.00	Oct-9-17	Oct-23-17
Short USD/MXN	L	17.80	18.24	Sep-4-17	Sep-25-17
Long USD/MXN	P	14.40	14.85	Dec-15-14	Jan-5-15
Long USD/MXN	P	13.62	14.11	Nov-21-14	Dec-3-14
Short EUR/MXN	P	17.20	17.03	Aug-27-14	Sep-4-14

* Total return does not consider carry gain/losses

P = Profit, L = Loss

Track of directional fixed-income trade recommendations								
Trade idea	Entry	Target	Stop-loss	Closed	P/L	Initial date	End date	
Long Udibono Dec'20	3.05%	2.90%	3.15%	3.15%	L	Aug-9-17	Oct-6-17	
5y10y TIIE-IRS steepener	28bps	43bps	18bps	31bps	P ²	Feb-15-17	Mar-15-17	
5y10y TIIE-IRS steepener	35bps	50bps	25bps	47bps	P	Oct-5-16	Oct-19-16	
Long Mbono Jun'21	5.60%	5.35%	5.80%	5.43%	P	Jul-13-16	Aug-16-16	
Long Udibono Jun'19	1.95%	1.65%	2.10%	2.10%	L	Jul-13-16	Aug-16-16	
Receive 1-year TIIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87% ¹	P	Nov-12-15	Feb-8-16	
Long spread 10-year TIIE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	Sep-30-15	Oct-23-15	
Receive 9-month TIIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	Sep-3-15	Sep-18-15	
Spread TIIE 2/10 yrs (flattening)	230bps	200bps	250bps	200bps	P	Jun-26-15	Jul-29-15	
Long Mbono Dec'24	6.12%	5.89%	6.27%	5.83%	P	Mar-13-15	Mar-19-15	
Relative-value trade, long 10-year Mbono (Dec'24) / flattening of the curve					P	Dec-22-14	Feb-6-15	
Pay 3-month TIIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	Jan-29-15	Jan-29-15	
Pay 9-month TIIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	Jan-29-15	Jan-29-15	
Pay 5-year TIIE-IRS (65x1)	5.25%	5.39%	5.14%	5.14%	L	Nov-4-14	Nov-14-14	
Long Udibono Dec'17	0.66%	0.45%	0.82%	0.82%	L	Jul-4-14	Sep-26-14	
Relative-value trade, long Mbonos 5-to-10-year					P	May-5-14	Sep-26-14	
Receive 2-year TIIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	Jul-11-14	Sep-10-14	
Receive 1-year TIIE-IRS (13x1)	4.04%	3.85%	4.20%	3.85%	P	Feb-6-14	Apr-10-14	
Long Udibono Jun'16	0.70%	0.45%	0.90%	0.90%	L	Jan-6-14	Feb-4-14	
Long Mbono Jun'16	4.47%	3.90%	4.67%	4.06%	P	Jun-7-13	Nov-21-13	
Receive 6-month TIIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	Oct-10-13	Oct-25-13	
Receive 1-year TIIE-IRS (13x1)	3.85%	3.55%	4.00%	3.85%	--	Oct-10-13	Oct-25-13	
Long Udibono Dec'17	1.13%	0.95%	1.28%	1.35%	L	Aug-9-13	Sep-10-13	
Receive 9-month TIIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	Jun-21-13	Jul-12-13	
Spread TIIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	Jun-7-13	Jun-11-13	
Receive 1-year TIIE-IRS (13x1)	4.22%	4.00%	4.30%	4.30%	L	Apr-19-13	May-31-13	
Long Udibono Jun'22	1.40%	1.20%	1.55%	0.97%	P	Mar-15-13	May-3-13	
Receive 1-year TIIE-IRS (13x1)	4.60%	4.45%	4.70%	4.45%	P	Feb-1-13	Mar-7-13	
Long Mbono Nov'42	6.22%	5.97%	6.40%	5.89%	P	Feb-1-13	Mar-7-13	
Long Udibono Dec'13	1.21%	0.80%	1.40%	1.40%	L	Feb-1-13	Apr-15-13	
Receive 1-year TIIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	Jan-11-13	Jan-24-13	
Receive TIIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	Oct-19-12	Mar-8-13	
Spread TIIE-Libor (10-year)	410bps	385bps	430bps	342bps	P	Sep-21-13	Mar-8-13	
Long Udibono Dec'12	+0.97%	-1.50%	+1.20%	-6.50%	P	May-1-12	Nov-27-12	
Long Udibono Dec'13	+1.06%	0.90%	+1.35%	0.90%	P	May-1-12	Dec-14-12	

1. Carry + roll-down gains of 17bps

2. Closed below target and before the proposed horizon date due to changes in market conditions that have differed from our expectations.

P = Profit, L = Loss

Track of the directional FX trade recommendations								
Trade idea	Entry	Target	Stop-loss	Closed	P/L*	Initial Date	End date	
Long USD/MXN	18.57	19.50	18.20	18.20	L	Jan-19-18	Apr-2-18	
Long USD/MXN	14.98	15.50	14.60	15.43	P	Mar-20-15	Apr-20-15	
Short EUR/MXN	17.70	n.a.	n.a.	16.90	P	Jan-5-15	Jan-15-15	
Short USD/MXN	13.21	n.a.	n.a.	13.64	L	Sep-10-14	Sep-26-14	
USD/MXN call spread**	12.99	13.30	n.a.	13.02	L	May-6-14	Jun-13-14	
Directional short USD/MXN	13.00	12.70	13.25	13.28	L	Oct-31-13	Nov-8-13	
Limit short USD/MXN	13.25	12.90	13.46	--	--	Oct-11-13	Oct-17-13	
Short EUR/MXN	16.05	15.70	16.40	15.69	P	Apr-29-13	May-9-13	
Long USD/MXN	12.60	12.90	12.40	12.40	L	Mar-11-13	Mar-13-13	
Long USD/MXN	12.60	12.90	12.40	12.85	P	Jan-11-13	Feb-27-13	
Tactical limit short USD/MXN	12.90	12.75	13.05	--	--	Dec-10-12	Dec-17-12	
Short EUR/MXN	16.64	16.10	16.90	16.94	L	Oct-3-12	Oct-30-12	

* Total return does not consider carry gain/losses

** Low strike (long call) at 13.00, high strike (short call) at 13.30 for a premium of 0.718% of notional amount

P = Profit, L = Loss

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Jazmín Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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